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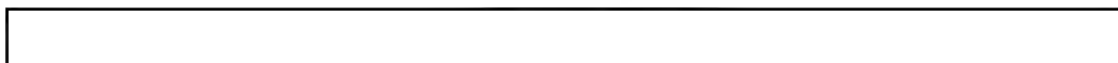
19 January 1960

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# CENTRAL INTELLIGENCE BULLETIN



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State Department review completed

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Next 1 Page(s) In Document Exempt

## CENTRAL INTELLIGENCE BULLETIN

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19 January 1960

## DAILY BRIEF

## I. THE COMMUNIST BLOC

OK USSR-UAR: The UAR announced on 18 January that the Soviet Union has agreed to finance the second stage of the Aswan Dam on the same basis that Moscow agreed to participate in building the first stage of the dam.

The new agreement underscores Moscow's and Cairo's policy of continuing close economic relations despite recurring political frictions during the past year. [redacted]

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## II. ASIA-AFRICA

OK Iran: [redacted] recent student demonstrations in Tehran were inflamed by subversive elements and may represent the first serious subversive effort by Soviet agents since the beginning of the bloc's hostile propaganda campaign about a year ago. [redacted] several of the police present may have been cooperating with the instigators of the demonstrations. [redacted]

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[redacted] antiregime elements instigated the demonstrations. Although the government warned publicly that it will take "forceful action," popular demonstrations by dissident groups are likely to occur from time to time, possibly to probe the effectiveness of security elements. [redacted]

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OK Iraq: The Iraqi political scene remains somewhat obscure. Since the legalization of political party activity on 6 January, four groups have applied for recognition as political parties--including two competing Communist factions. In addition, pro-Communist People's Court President Col. Mahdawi has declared his intention of forming a "People's" party with Qasim's blessing. Intense party activity will continue at least until Qasim indicates which parties will be licensed. [redacted]

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Nepal-USSR: [Katmandu is considering Moscow's offers to extend its present economic aid to include a more detailed engineering survey, and possibly construction, of the projected 500- to 700-mile east-west highway across Nepal. King Mahendra apparently is impressed by the preliminary aerial survey recently completed by Soviet technicians under the \$7,500,000 aid program signed in April 1959, and is putting pressure on Prime Minister Koirala to agree to let the USSR go on with the job. Koirala, perhaps hoping to stimulate further US aid, told the American ambassador he was resisting the proposal, which would substantially increase the number of Soviet technicians in Nepal. Soviet officials probably will try to obtain Nepalese agreement to further assistance during President Voroshilov's state visit early in February.] (Page 4)

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### III. THE WEST

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West Germany - Spain: [The West Germans have "indefinitely postponed" their conversations on military cooperation with Spain which were scheduled to take place in Madrid between 18 and 22 January. In making this decision, Bonn apparently has taken cognizance of warnings from General Norstad that such talks would have a "most adverse" effect at this time on Bonn's relationship with some of its allies.]

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DAILY BRIEF

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Cuba: After eight months of extralegal takeovers of private lands, the Castro government has announced that it will start court proceedings on 19 January to expropriate large landholdings "legally." Hundreds of such actions are to be started simultaneously all over the island and will affect Cuban and foreign-owned property. The expropriations will increase the power of the National Agrarian Reform Institute, which already controls much of the Cuban rural economy.

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DAILY BRIEF

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# I. THE COMMUNIST BLOC

## Moscow Agrees to Grant Cairo Additional Economic Aid

Cairo announced on 18 January that the Soviet Union has agreed to aid the UAR in building the second stage of the Aswan Dam, on the "same basis" as Moscow agreed to participate in the first stage of construction. The Soviet Union extended a \$100,000,000, low-interest, 12-year credit to Cairo in November 1958 to cover the foreign exchange costs incurred during the first stage--essentially the construction of coffer dams and the digging of diversionary tunnels. Total foreign exchange costs of all stages of the \$1.3 billion project have been estimated at about \$400,000,000. Moscow now apparently will extend an additional credit to the UAR for equipment, material, and technical assistance for construction of the main or high dam itself.

The Soviet press has given extensive coverage to the ceremonies held at Aswan on 9 January officially inaugurating the start of construction on the first stage of the dam. While emphasizing the "selflessness" of the USSR's aid to Cairo, Soviet propaganda portrayed Soviet-UAR relations in a more friendly vein than has been noted in recent months.

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In addition to underscoring Moscow's policy of extending economic aid to the UAR despite recurring political frictions during the past year, the Soviet commitment will virtually eliminate the possibility of Western participation in building the dam.

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## II. ASIA-AFRICA

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### Iranian Student Demonstrations Exploited by Subversive Elements

The recent student riots in Tehran showed signs of having been instigated by nonstudent, antiregime elements, [redacted]

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[redacted] it has been definitely established that subversive forces attempted to inflame and exploit student dissatisfaction. Forty-one adults were arrested on suspicion of inciting the riot, pamphlets distributed during the demonstration were signed by the "Central Committee of the Tudeh (Communist) party" and by the "Students' Underground Committee," and some policemen failed to attempt to restrain the demonstrators.]

[redacted] Soviet agents may have been involved and that this activity may represent the first serious subversive effort by the Soviet-backed Tudeh party since the bloc's radio propaganda campaign against the Shah's regime was begun about one year ago.]

As stone-throwing student groups, sparked by dissatisfaction over increased academic standards, converged on the Parliament and Education buildings, they were dispersed by forceful police action. Some of the rioters were injured and government property was damaged. Continued government concern over the possibility of a new outbreak is indicated by heavy troop and police guards at all high schools whose students participated in the disturbances.]

Because of widespread public dissatisfaction, there is a continuing danger in Iran that agitators can turn peaceful protests into violent outbreaks against the regime. Despite the Shah's attempts to carry out reforms over the past year, the basic causes of general discontent remain and could be exploited by dissident elements.]

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### The Iraqi Political Situation

Qasim's delay in granting licenses to groups which have applied for legal recognition under the political parties law of 6 January is increasing the rivalry between contending factions. Four groups, including two professing to represent the Iraqi Communist party, have applied for recognition. These parties include the socialistic National Democratic party (NDP); the United Democratic Party of Kurdistan (UDPK); an "orthodox" Communist faction led by long-time Communists Abd al-Qadir Ismail al-Bustani and Zaki Khayri, whose press organ is Ittihad al-Shaab; and a Communist splinter group under Daud Sayyigh, publisher of al-Mabda, a dissenter from Iraqi party leadership as far back as 1942.

Sayyigh's group, which professes to have Qasim's backing, appears to have suffered a setback by the withdrawal of six founding members. Sayyigh has accused the "orthodox" faction of "leftist deviation" and a departure from Arab nationalist principles, as well as a refusal to cooperate with other "democratic" but non-Communist elements.

[Although the Communists remain the best organized party in Iraq, they appear to be unsure of Qasim's attitude toward them, fearing that his policy is to keep an equilibrium between opposing political factions in the country. Qasim's reported declaration to Sayyigh on 15 January that there must be only one Communist party in Iraq has resulted in an intensification by the "orthodox" Communist press to discredit the Sayyigh faction.]

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A new element introduced into the Iraqi political scene is the declaration by pro-Communist People's Court President Col. Mahdawi that he will form a "People's party" with the blessing of Qasim, probably after the termination of the current "treason" trials about the end of January.

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Nepal Considering Further Soviet Assistance on Major Highway:

[Nepalese leaders appear to be split over whether to accept further Soviet aid on the projected east-west highway across southern Nepal. Soviet technicians recently completed a preliminary ground and aerial survey under the \$7,500,000 grant-aid agreement signed in April 1959.]

[King Mahendra apparently is impressed with the efficiency of the Soviet experts' study and is urging Prime Minister Koirala to agree to permit them to make a more detailed survey and possibly even undertake construction of the 500- to 700-mile road. Koirala, perhaps hoping to stimulate further American aid, told the US ambassador on 13 January that he and the minister of home affairs were resisting the idea. Koirala on several occasions has attributed his government's gestures toward the Soviet bloc to pressure from the palace. Katmandu in general has followed a policy of balancing its economic relations with Moscow, Peiping, New Delhi, and Washington in such a way as to gain maximum benefits from each.]

[Koirala apparently opposes further Soviet assistance on the road because it would require substantially increased numbers of Soviet technicians. Only a few have been admitted so far, to begin work on the power plant, sugar refinery, and cigarette factory to be built under last year's grant.]

[The Nepalese minister of industry and commerce meanwhile confirmed to the American ambassador that he was stalling on Peiping's offer to provide a cement plant under its 1956 aid agreement, apparently also because of reluctance to admit Chinese technicians.]

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